

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

S-936

DATE OF INTRODUCTION:

January 17, 2006

SPONSOR:

Senator Anthony R. Bucco

DATE OF RECOMMENDATION:

February 7, 2006

IDENTICAL BILL:

COMMITTEE:

Senate Economic Growth Committee

DESCRIPTION:

This legislative proposal provides a Sales and Use Tax exemption for certain high-efficiency home heating equipment.

ANALYSIS:

This bill proposes to eliminate sales tax on the purchase of the energy-efficient home heating equipment. Generally, this burden is borne at that time of purchase directly by a contractor hired to install a new unit or component. In theory, the contractor passes on these costs, including sales tax paid and reasonable markup to the property owner as the cost of the materials installed. In accordance with current sales tax law, this resulting cost for materials is not directly taxed to the consumer. If the exemption were available to the contractor upon his purchase, the consumer, who receives an estimate on the installation, may or may not receive the benefit of the resulting tax savings.

Further, energy prices are currently so high that a sales tax exemption is not necessary to motivate energy-conscious purchases.

Finally, the passage of this bill would also encourage other products that also meet the energy efficiency standards of the Energy Star program to seek a similar exemption. These products currently include home appliances, home electronics, office equipment and lighting.

RECOMMENDATION:

The Commission does not recommend enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 9

COMMISSION MEMBERS ABSTAINING: 0